

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:

,ID No.

Telephone Number:

Refer Reply To:

CC:EEE:EB:HW
PLR-121286-19

Date:

June 26, 2020

Legend:

Taxpayer =

Year 1 =

Dear :

This responds to your letter, dated September 6, 2019, supplemented by correspondence dated March 5, 2020, May 28, 2020, and June 10, 2020, requesting a ruling that the proposed provision of whole life insurance will constitute a permissible "life benefit" under section 501(c)(9) of the Internal Revenue Code ("Code").

FACTS

Taxpayer was formed in Year 1 by . Taxpayer provides benefits to its members who are .

Taxpayer represents that it has periodically received determination letters from the Internal Revenue Service that it is a voluntary employees' beneficiary association ("VEBA") under section 501(c)(9) of the Code. Taxpayer represents that it only receives contributions from its members and that there are no employer contributions to Taxpayer. Among the benefits that Taxpayer currently provides to its members is group term life insurance.

Taxpayer proposes to offer group whole life insurance to its members in addition to the group term life insurance currently provided. Taxpayer represents that the VEBA would be the holder of a group insurance contract issued by a third-party insurance carrier. Members would select the amount of desired coverage, pay premiums based on their age, coverage amounts, and health status, and designate the beneficiary or beneficiaries. Individual members would have all rights to cash values under the insurance policy and Taxpayer would not hold any cash values from purchases of the

whole life insurance. Taxpayer represents that members will pay for premiums for the whole life insurance with their own funds on an after-tax basis, and they will receive no contributions or other subsidies for these premiums from any employer, union, or any other person.

RULING REQUESTED

Taxpayer requests a ruling that the provision of whole life insurance to its members will constitute a permissible “life benefit” under section 501(c)(9) of the Code.

LAW

Section 501(c)(9) provides for the exemption from federal income tax of an organization that provides for the payment of life, sick, accident, or other benefits to the members of the association or their dependents or designated beneficiaries, if no part of the net earnings of the association inures (other than through such payments) to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(c)(9)-3(a) provides, in relevant part, that the life, sick, accident, or other benefits provided by a VEBA must be payable to its members, their dependents, or their designated beneficiaries. Life, sick, accident, or other benefits may take the form of cash or noncash benefits. A VEBA is not operated for the purpose of providing life, sick, accident, or other benefits unless substantially all of its operations are in furtherance of the provision of such benefits. Further, an organization is not a VEBA if it systematically and knowingly provides benefits (of more than a *de minimis* amount) that are not permitted by paragraphs (b), (c), (d), or (e) of this section.

Treas. Reg. § 1.501(c)(9)-3(b) provides, in relevant part, that the term life benefits means a benefit payable by reason of the death of a member or dependent. A life benefit may be provided directly or through insurance. It generally must consist of current protection, but also may include a right to convert to individual coverage on termination of eligibility for coverage through the association, or a permanent benefit as defined in, and subject to the conditions in, the regulations under section 79. A life benefit also includes the benefit provided under any life insurance contract purchased directly from an employee-funded association by a member or provided by such an association to a member.

Treas. Reg. § 1.501(c)(9)-6(b) provides that the availability of any statutory exclusion from gross income with respect to contributions to, or the payment of benefits from, an organization described in section 501(c)(9) is determined by the statutory provision conferring the exclusion, and the regulations and rulings thereunder, not by whether an individual is eligible for membership in the organization or by the permissibility of the benefit paid.

ANALYSIS AND CONCLUSION

Taxpayer represents that it only receives contributions from its members and that it receives no employer contributions. Taxpayer further represents that members will pay for premiums for the whole life insurance with their own funds on an after-tax basis, and they will receive no contributions or other subsidies for these premiums from any employer, union, or any other person. Taxpayer represents that the VEBA would be the holder of a group insurance contract issued by a third-party insurance carrier. Accordingly, based on these representations and other information and representations provided by Taxpayer, we conclude that Taxpayer is an employee-funded association within the meaning of Treas. Reg. § 1.501(c)(9)-3(b). Because a life benefit includes a life insurance contract provided by an employee-funded association to a member, we conclude that the whole life insurance proposed to be provided to members by Taxpayer will constitute a permissible "life benefit" under section 501(c)(9) of the Code and the Treasury Regulations thereunder.

This ruling does not address whether amounts received under an arrangement with an entity that is not regulated as an insurance company are treated as amounts received under a "life insurance contract" within the meaning of sections 101(a) and 7702 of the Code.

Except as expressly provided herein, no opinion is expressed or implied concerning the federal tax consequences to Taxpayer or to members of Taxpayer under any other provision of the Code or Treasury Regulations.

This ruling is directed only to the party requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

The ruling contained in this letter is based upon information and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for this ruling, it is subject to verification on examination.

Sincerely,

Denise Trujillo
Branch Chief
Health & Welfare Branch
Office of Associate Chief Counsel
Employee Benefits, Exempt Organizations, and
Employment Taxes

cc: